

Comparing basic income and participation income as new models for basic social security

Heikki Hiilamo

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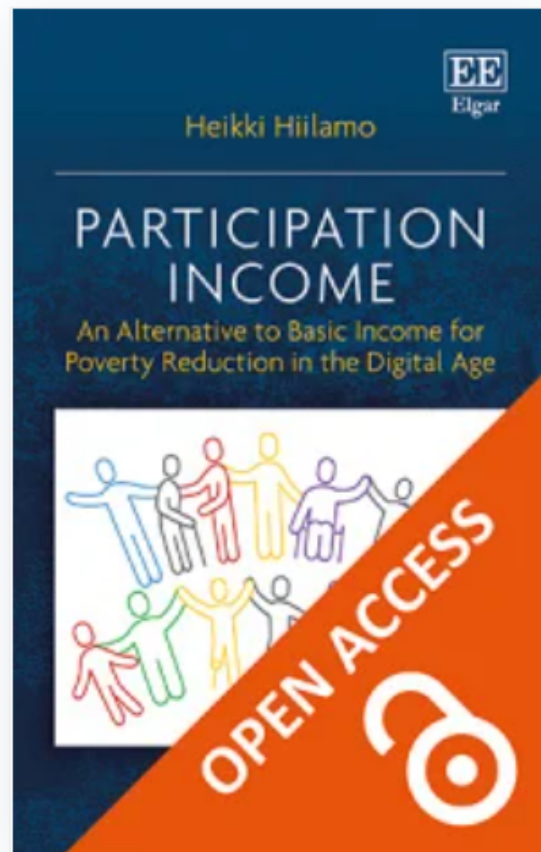
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Participation Income

An Alternative to Basic Income for Poverty Reduction in the Digital Age

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This innovative book provides the first in-depth analysis of



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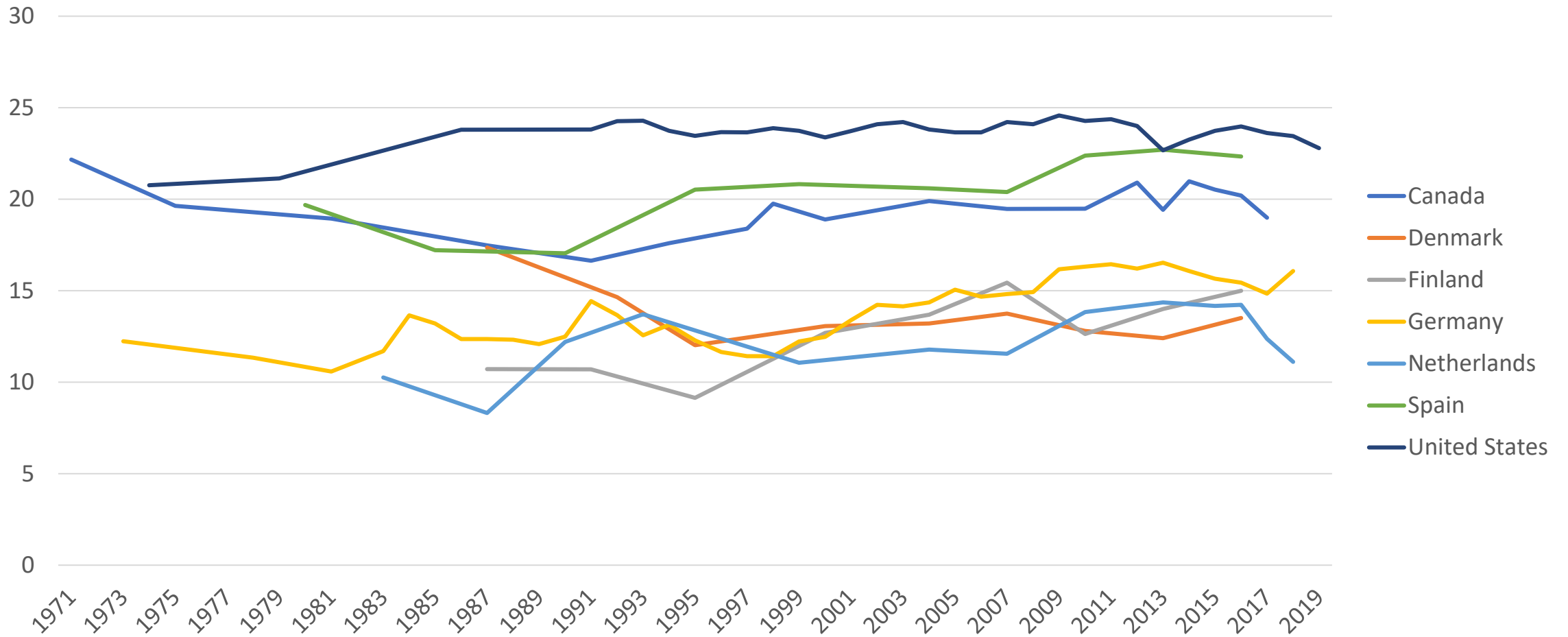
Preface

1. Introduction to digital transformation and social policy
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Starting point

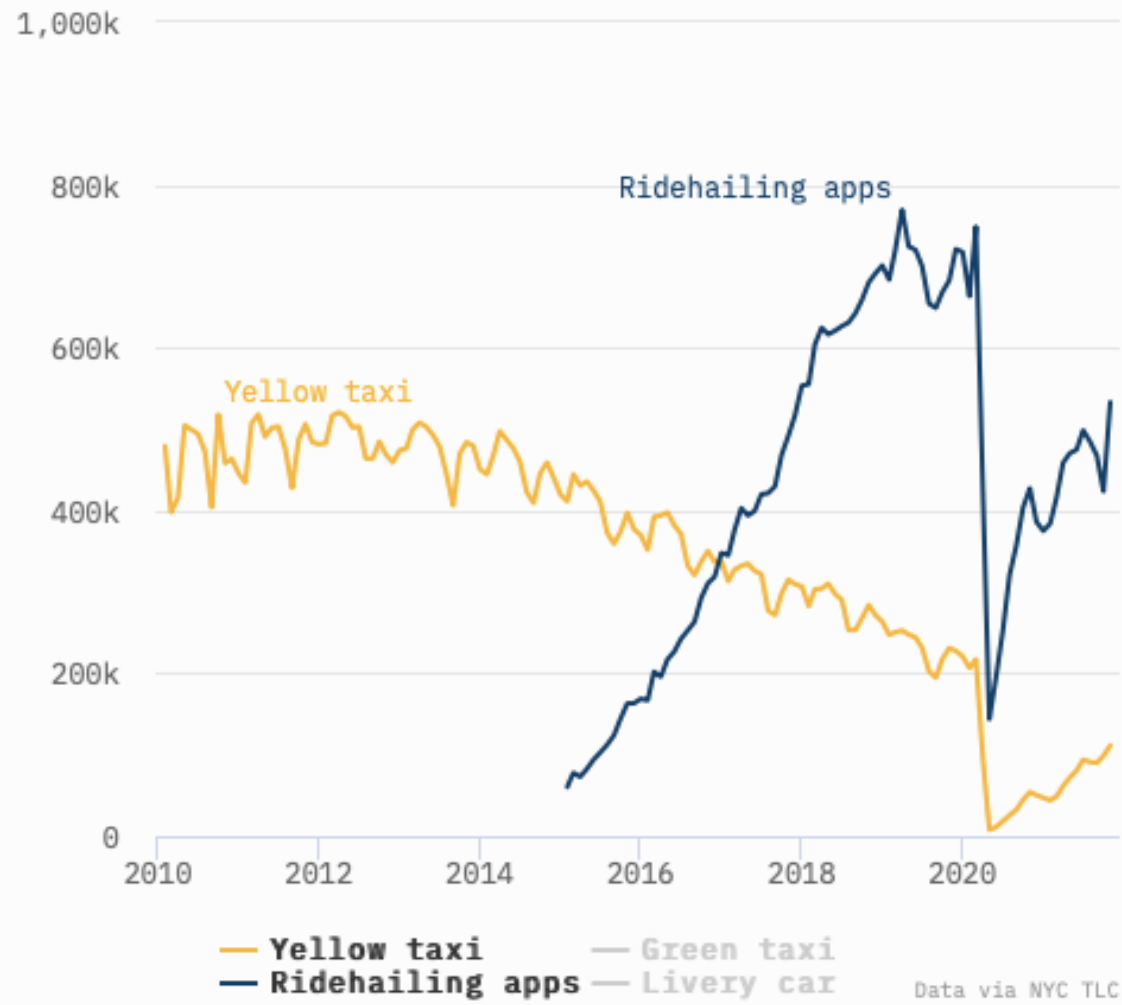
- Despite enormous advances in technology and the accumulation of (financial) wealth, poverty and unemployment are still rampant in high-income countries.
- The unprecedented productivity growth resulting from mechanization, automation, and, most recently, the computerization of work tasks has ensured that basic human needs can now be satisfied with a fraction of the labour input that was required two centuries ago.
- In the middle of plenty, millions of people suffer from unemployment, underemployment, and lack of means to participate in the minimum acceptable way of life.
-
- These problems are predicted to intensify with the adoption of new digital technologies, including automation and robotization.

Poverty rate, 60 % of median income in selected countries 1971-2019.



Where is the ambition to radically reduce relative poverty among rich countries?

Trips per day



Data via NYC TLC
toddschneider.com

Automation is not a major threat to sustainability, climate change -- or ecological crisis – undeniably is one

Table 10.1 Workfare, activation and participation income

	Workfare	Activation	
Aim	Fulfilling moral obligation	Promoting access to paid work	
Domain	Forced work	ALMPs	
Ownership	Better-offs	Employers, state	
Rationale	Legitimate social assistance	Economic growth	

Reciprocity as a social glue

- Claim for UBI not based on reciprocity but on individual right-> free riding possible (reciprocity as a compensation for loss of commons not a convincing argument)
- UBI does not allow the recipients to reciprocitate the transfer
- Welfare state is built upon the idea of solidarity, which in turn is based on reciprocity, which in turn builds up social trust, which in turn supports solidarity (virtuous circle)
- Free-riding is a major problem for political support of any welfare state program, UBI may break virtuous circle

Table 7.1. Support for six different basic income models and participation income in Finland.

Basic income model	Good idea	Neither good or bad idea	Bad idea
Partial ^a basic income > €560 a month	33%	20%	39%
Partial ^a basic income < €560 a month	27%	27%	37%
Full ^b basic income of €1500 a month	25%	17%	66%
Partial ^a basic income of €1000 a month	24%	17%	51%
Full ^b basic income of €1000 a month	20%	20%	51%
Participation income ^c	78%	11%	7%

^a Maintains eligibility for housing allowance and earnings-related benefits.

^b Withdraws eligibility for housing allowance and earnings-related benefits.

^c Eligibility for social assistance and basic security benefits requires participation in activation measures that can be defined by the unemployed in a more autonomous manner than currently (e.g. voluntary work, studying, caring for close relatives or leisure activities).

Participation income

- Anthony Atkinson (1996, 2015) presented participation income as an alternative to BI
- PI can be defined as a universal welfare scheme conditional on individuals' participation in their country's social activity (Atkinson 1996).
- In simple terms, PI is similar to a UBI scheme, with the exception that individuals have to do something in exchange for the money they receive. That "something" is the main characteristic of PI, namely the **participation criterion**
- The participation criterion can include also "those engaging in approved forms of education or training, caring for young, elderly or disabled, and those undertaking approved forms of voluntary work"

New ideas for participation income

- The new models of basic security include proposals eco-social participation income (McGann and Murphy 2021) and ecological transition income, a form of participation income (Swaton 2018)
- Both eco-social participation income and ecological transition income are based on concerns that BI might not accelerate an ecological transition

Table 10.1 Workfare, activation and participation income

	Workfare	Activation	Participation Income
Aim	Fulfilling moral obligation	Promoting access to paid work	Community building
Domain	Forced work	ALMPs	Socially constructive activities
Ownership	Better-offs	Employers, state	Participants
Rationale	Legitimate social assistance	Economic growth	Social cohesion

Shortcomings in Atkinson's original PI model

- A) if PI is paid to everyone, the eligibility needs to be determined for every person in the population -> a formidable bureaucratic endeavor
 - B) If PI is paid as a conditional social assistance, people who do not fulfill the participation condition will be left without any financial support -> increase in absolute poverty
 - C) If the list of activities giving entitlement to PI is predetermined, the recipients are placed into a subordinate position
- Solutions:
 - A) PI is paid only for those below median incomes (or even more targeted)
 - B) PI is paid as a top-up to guaranteed minimum income (conditional or unconditional)
 - C) Co-creation of the list for activities

Table 10.2 Dimension of universal basic income, participation income and revised participation income

	UBI	PI	Revised PI
Universality	Yes, paid to all	Yes, paid to all	No, paid to people with below-average incomes
Individuality	Yes	Yes	Yes
Conditionality	No, no work or other conditions for receipt	Partly, conditional upon contributing to community	Partly, conditional upon contributing to community (co-created and individually selected activities)
Uniformity	Same amount for all	Same amount for all	Top-up to SA benefit
Timing	Monthly/weekly	Monthly/weekly	Monthly/weekly
Modality	Cash	Cash	Cash
Generosity	Enough to cover basic needs	Enough to cover basic needs	Enough to cover basic needs
Financing	Taxes	Taxes	Taxes